the (451) group — *451 Market Insight Service*

GroundWork aims at an open source 'single pane of glass' for network management

Rachel Chalmers, Senior Analyst
Enterprise Software
IMPACT REPORT
23 September 2005

No sooner did The 451 Group wonder when someone would start an open source network and systems management business than our contacts pointed us to **GroundWork Open Source Solutions**. In its first 12 months, the Emeryville, California-based startup has won more than 70 customers for a platform built around the Nagios open source availability monitor and other free and open source management tools.

Impact assessment

The message

The company adds value by pre-integrating a stack of open source management tools. It aims to combine the flexibility and customization options of open source with the process-centric, IT service management approach now prevalent in corporations.

Competitive landscape

According to GroundWork, BMC, Computer Associates, HP and IBM are too expensive; EMC Smarts, Microsoft, NetIQ, Quest, Symantec/Veritas and Wily Technology are too specialized; and Ipswitch, SolarWinds and Somix Technologies are not capable enough.

The 451 assessment

Our initial curiosity points to the glaring need for an open source competitor in network and systems management. Nagios is emerging as a standard platform – GroundWork has built a coherent stack around it. GroundWork has a respectable VC war chest and an impressive rate of customer acquisition. The biggest risk seems to be managing such rapid growth.

Context | GroundWork launched almost exactly a year ago to sell enterprise-class, open source-based IT management software and services. The flagship product is GroundWork Monitor, a suite of mostly open source tools. The company adds value by pre-integrating the stack. It has 40 employees and more than 70 customers, including **Ariba, Contra Costa Water District** and **LSI Logic**. GroundWork has raised $11.5m in two rounds. Its investors are **Canaan Partners** and **Mayfield**.

GroundWork founder Robert Fanini previously founded **Foglight Software**, which was acquired by **Quest Software** in 1999 as the basis of its performance management business. Together with cofounder and COO David Lilly, Fanini went on to found **siteROCK**, a remote monitoring and management service provider, and CapTech Partners, a seed capital and consulting firm. CEO Ranga Rangachari comes to GroundWork from his own startup **Invio Software**, which was sold to **Veritas Software** for $35m in August 2004.

Strategy | Executives estimate the size of the IT management software market at $6bn, but they note that basic monitoring is now commodified, and that open source vendors are proliferating. The net result, they say, is that Global 2000 and midsized companies now have a viable, low-cost, source-available alternative to the network and systems management (NSM) frameworks sold by the big four: **BMC Software, Computer Associates, Hewlett-Packard** and **IBM**.

GroundWork's position is that in order to maximize the performance of your NSM stack, you need to design and configure it correctly. The company has built flexible design and configuration options into the product. At the same time, GroundWork services are available for customers that don't want to be bothered with designing and configuring their own systems. The approach is designed to combine the flexibility of source-available software with the business-process approach now dominating IT service management best practices.

That said, the company is realistic about its poor chances of actually displacing entrenched big four NSM frameworks from corporate accounts. GroundWork software will be positioned more as a complement to Patrol, Unicenter, OpenView and Tivoli, at least for the foreseeable future. VP of marketing Will Winkelstein calls this a 'Trojan horse accommodative approach.' In the midmarket, customers that have outgrown purpose-written scripts may adopt a pure GroundWork strategy, but the top end of the market is saturated with legacy systems, and the company must learn to coexist.

Technology | GroundWork has four products: Monitor, Monitor Architect (also known as Monarch), Status Viewer and the new Foundation. Monarch, Status Viewer and Foundation are open source products that GroundWork has contributed to the community. Monarch is a configuration tool for use with the Nagios open source monitor; Status Viewer is a PHP-based replacement for the Nagios interface; and Foundation extracts management data from both open source and proprietary systems.

Monitor, the company's great white hope, includes all three as well as Nagios, the Jetspeed Web portal framework, Nmap, Syslog, Net-SNMP, Tomcat, Apache Server, Hibernate, Perl and PHP. It also assumes the presence of a MySQL database; engineers are working to add support for PostgreSQL and commercial databases. On top of these, GroundWork has built performance monitoring, a portal-based user interface, management-level reporting and configuration tools. Monitor is sold as an annual subscription that includes installation and configuration help, product updates and technical support.

Customers | GroundWork's best targets are companies already using Nagios. There have been 700,000 downloads of the software; executives hope that translates to 20,000-25,000 production deployments, ripe for conversion to supported GroundWork accounts. So far, customers are clustering in technology and in government agencies. They come in three kinds: midsize businesses with $100m-1bn in annual revenues that have outgrown scripts and that are already somewhat interested in open source; IT-centric entities like **Salesforce.com** and **Yodlee** that value open source for its flexibility; and managed service providers that need to monitor multiple customers and present reports and status views.

Competition | GroundWork divides the IT management software market four ways. The big four offer comprehensive coverage at high cost. Customers often pay through the nose for complex, arcane features they will never use. Low-cost tools like **Ipswitch** WhatsUp, **Mercury Interactive's** SiteScope, **PerformanceIT's** ProIT, Quest Software's Big Brother, **SolarWinds'** Orion and Somix's WebNM can't approach the feature-richness of the NSM frameworks. Best-of-breed point solutions from **EMC** Smarts, **Microsoft**, **NetIQ**, Quest, **Symantec**/Veritas and **Wily Technology** do little better on coverage and still cost more. Armed with its open source developer community for cost-effective R&D, GroundWork is aiming for the optimal balance of a broad feature set at a low price point.

Other players include **Cittio, Hyperic, LPI Level Platforms, N-able Technologies, SilverBack Technologies** and **Singlestep Technologies** – most addressing the managed service provider market.

SWOT analysis

Strengths	Weaknesses
GroundWork's building-block approach should give tech-savvy customers more customization options, while simplifying open source for less-confident clients. The company has done well to win so many customers so quickly.	GroundWork has grown fast – an even greater risk for a company so dependent on customer goodwill and support for its proprietary software equivalent. With two customers for every staff member, maintaining high standards in all customer interactions won't be easy.

Opportunities	Threats
Executives estimate that the total market is worth $6bn, but they admit that the big four each count for about $1bn of that.	Open source drastically lowers barriers to entry, leaving companies to compete on quality of support. As GroundWork struggles with growing pains, there's absolutely nothing to stop, say, IBM from offering a Nagios stack with excellent support as a low-end alternative to Tivoli.

About The 451 Group

The 451 Group is an independent technology industry analyst company focused on the business of enterprise IT innovation. The company's analysts provide critical and timely insight into the market and competitive dynamics of innovation in emerging technology segments. Clients of the company – at vendor, investor, service-provider and end-user organizations – rely on 451 insight to support both strategic and tactical decision-making for competitive advantage.

The company's services include the 451 Market Insight Service, which delivers daily insight into emerging enterprise IT markets; 451 TechDealmaker, a weekly analysis service focused on forward-looking M&A within the enterprise IT business; 451 Special Reports, which are produced on a periodic basis to analyze key emerging enterprise IT markets in greater depth; and 451 Strategic Counsel, the company's analyst-inquiry program, which provides clients with direct access to 451 analysts. The company also produces via 451 Events periodic industry summits and investor conferences that address opportunities and obstacles facing emerging enterprise IT markets.

The 451 Group is headquartered in New York, with offices in key locations, including San Francisco, London and Boston. For additional information on the company or to apply for trial access to its services, go to: www.the451group.com